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No. 5

March 22, 1999

S. Con. Res. 20 – Concurrent Budget Resolution for Fiscal Year 2000

Calendar No. 64

Reported on March 19, 1999, as an original concurrent resolution by the Senate Budget Committee by a vote of 12 to 10. S. Rept. 106-27. Additional and minority views filed.

NOTEWORTHY

- The FY 2000 Budget Resolution reserves every cent of the \$1.8 trillion Social Security trust fund surplus — interest and payroll tax revenue — over the next ten years. Thus, it conforms to the President's proposal last year to "reserve 100 percent of the surplus, that's every penny of any surplus, until we have taken all the necessary measures to strengthen the Social Security system" — something that the President's own budget did not do either this year or last year. In addition, separate legislation will soon be introduced and taken up that will insure that this surplus is fully protected by a 60-vote point of order.
- The FY 2000 Budget Resolution assures that Medicare is fully funded — every dollar that is projected to go to beneficiaries will do so under the FY 2000 Budget Resolution. In addition, none of the President's proposed \$9 billion in Medicare cuts is included. As a result, the FY 2000 Budget Resolution spends \$9.2 billion over five years and \$20.4 billion more over ten years on Medicare than does the President.
- The FY 2000 Budget Resolution cuts the public debt in half — from \$3.628 trillion today to \$1.861 trillion in 2009. In contrast, the President's budget reduces the public debt 20 percent less — leaving it at \$2.324 trillion in 2009.
- The FY 2000 Budget Resolution adheres to the spending restraints — the discretionary spending caps and pay-go provisions — of the bipartisan agreement reached between the majority in Congress and the President on May 2, 1997, and enacted in the Balanced Budget Act of 1997 (HR 2015, P.L. 105-33) and Taxpayer Reform Act of 1997 (HR 2014, P.L. 105-34). It is the only budget proposal thus far offered that does so.

- Because of the dramatic increase in the revenue projections from the Congressional Budget Office (CBO), the FY 2000 Budget Resolution accommodates a net tax cut from the non-Social Security (on-budget) surplus of: \$15 billion in (offset) tax cuts in the first year, \$142 billion over the first five years, and \$778 billion over the first ten years.
- The federal budget deficit was eliminated with a \$69 billion surplus in 1998 — four years ahead of 1997's projected balance in 2002. The FY 2000 Budget Resolution will now eliminate the on-budget deficit in 2001 — the first time this has occurred since the unified budget was created in the 1960s.
- The House is expected to pass its budget resolution on March 25. A budget resolution conference report is anticipated in mid- to late-April.

HIGHLIGHTS

See listing of spending totals for FY00-2009, by function, in the committee report, p. 6. A copy is attached to this Notice, following page 11.

Surplus

- The Senate's FY 2000 budget provides unified budget surpluses (non-Social Security plus Social Security) in every one of the next five years — \$134.6 billion, \$148.3 billion, \$156.9 billion, \$165.2 billion, and \$177.7 billion in FYs 2000, 2001, 2002, 2003, and 2004 respectively.
- The Senate's FY 2000 budget also achieves on-budget surpluses (non-Social Security) in four of the next five years — \$3.4 billion, \$3.5 billion, \$3.7 billion, and \$6.7 billion in FYs 2001, 2002, 2003, and 2004 respectively. Over ten years this amounts to \$133 billion.

Debt

- The FY 2000 Budget Resolution cuts public debt in half over the next ten years. As a result, federal interest payments will be cut in half — from \$229.4 billion this year to \$115.3 billion in 2009. The statutory debt limit (currently \$5.95 trillion for total government debt) will not have to be increased until 2004.

- In contrast, the President's budget will need to have the statutory debt limit raised as early as 2001. This is because the President's budget proposes dramatically increasing total government debt above the current statutory limit — to \$8.409 trillion in 2009 (when the Senate's FY 2000 Budget Resolution would have total government debt at \$6.203 trillion in 2009).

Spending

- Federal spending increases at an average annual rate of 2.8 percent (from \$1.704 trillion to \$1.957 trillion) and revenues would increase at an average annual rate of 3.3 percent (from \$1.815 trillion to \$2.135 trillion) from FY 1999 to FY 2004.
- Overall discretionary spending conforms to the spending caps set last year by using mandatory savings (\$27 billion over 5 years and \$58 billion over 10 years) to offset new discretionary spending. In the years following the expiration of the caps in 2002, the FY 2000 Budget Resolution allows discretionary spending to increase \$260.1 billion above a freeze level from 2003-2009, or about half the rate of inflation.
- The FY 2000 Budget Resolution increases spending for Defense by \$110.5 billion over five years and by \$336.3 billion over ten years above the Senate Budget Committee (SBC)'s baseline. In addition, it increases budget authority \$29.7 billion above the President's request in the first five years.
- The FY 2000 Budget Resolution increases spending for Education by \$47.4 billion over the SBC baseline and by \$21.2 billion over the President's request over the next ten years. The FY 2000 Budget Resolution also provides for a \$28-billion-over-five-years and an \$82-billion-over-ten-years net increase in discretionary spending for elementary and secondary education. Overall discretionary spending for Education increases \$2.4 billion in 2000 — double the President's request — and \$31 billion over the next five years — five times the President's request.
- The FY 2000 Budget Resolution increases spending by \$600 million in budget authority for the National Institutes of Health in 2000— double the President's request.
- The FY 2000 Budget Resolution increases spending on veterans' benefits by \$0.9 billion in budget authority and by \$1.4 billion in outlays from the 1999 level — an increase over the President's request of \$0.9 billion in budget authority and \$1.1 billion in outlays.
- The FY 2000 Budget Resolution fully funds the Violent Crime Reduction Trust Fund programs in 2000 and rejects the President's proposed reductions in anti-drug programs.
- In addition to Defense spending increases, the FY 2000 Budget Resolution provides discretionary spending increases in transportation (over five and ten years), health (over

five years), income security (over ten years), Medicare (over five and ten years), Veterans' Affairs (over five years), and Justice (over the next five years).

Social Security

- Social Security's entire projected surplus of \$1.8 trillion over the next ten years — payroll tax receipts and interest income — is reserved under the FY 2000 budget resolution.
- In addition, Social Security is fully funded over the ten-year period.

Taxes

- The FY 2000 Budget Resolution's 10-year \$831 billion gross tax cut and \$778 billion net tax cut is provided for in reconciliation instructions to the Finance Committee (the only committee reconciled in this resolution). A reserve fund is also established to allow any further improvement in the on-budget surplus to be available for additional tax cuts.
 - In contrast, according to CBO's reestimate of the President's budget, President Clinton proposes a net \$96 billion tax hike over the next ten years.

Procedure

- The FY 2000 Budget Resolution contains a single reconciliation instruction directing the Finance Committee to: offset and reduce taxes by \$15 billion in the first year; reduce taxes by a net \$142 billion over five years; and reduce taxes by a net \$778 billion over ten years. In addition, the Finance Committee is instructed to temporarily reduce the statutory debt limit in order to prevent the President from attempting to credit the Social Security and Medicare trust funds with meaningless paper transfers. The President's proposal would otherwise result in trillions of dollars in new debt being added to the statutory limit.
 - The Finance Committee is instructed to report by June 18, 1999. The House Ways & Means Committee is instructed to report by June 11, 1999.
- Per Senator Grams' proposal, the FY 2000 Budget Resolution establishes a reserve fund to allow any additional surplus resulting from new estimates to be devoted to tax relief. CBO is directed to complete its next estimate by July 15, 1999.
- Per a proposal offered by Senators Grams and Grassley, the FY 2000 Budget Resolution establishes a reserve fund that will allow for an additional \$6 billion in agriculture spending pending the completion of legislation in the Agriculture Committee.

- A reserve fund is also created to allow for any offset tax cuts over one-year, five-year, and ten-year periods.
- A reserve fund is created in order to allow increases in Medicare spending totals if real reform is enacted.
- The FY 2000 Budget Resolution restates the existing pay-go procedures to clarify that these procedures still apply as long as an on-budget deficit exists. Further, it clarifies that on-budget surpluses can be used for tax cuts or spending increases.
- The FY 2000 Budget Resolution makes “emergency spending” (this spending is currently exempt from existing spending restraints) subject to a 60-vote point of order. If the point of order were sustained, the spending item would remain but would have to be offset or result in an offsetting sequester of current, applicable spending.

BACKGROUND

Adhering to the Historic Balanced Budget Agreement

Last year Congress fulfilled — four years ahead of schedule — the seven-year deficit-elimination goals set forth in the first session of the 104th Congress by the new Republican majority. The federal budget achieved a \$69 billion surplus in 1998, the first surplus since 1969.

As Congress’ blueprint for federal spending, the budget resolution sets the binding limits on spending and revenue levels. For spending, the budget resolution allocates spending levels among committees of jurisdiction through the so-called 302(a) allocations, which are enforced by 60-vote Budget Act points of order. The budget resolution can direct the authorizing committees of jurisdiction to make changes in mandatory spending or revenues through reconciliation instructions; this generates a reconciliation bill that is considered under expedited procedures. This year only the Finance Committee receives reconciliation instructions — to achieve a net tax cut financed from the non-Social Security (or on-budget) surplus.

The FY 2000 budget resolution continues the agreement reached between the congressional majority and the President on May 2, 1997. It marks the fifth consecutive balanced budget resolution that the Senate will have passed.

Although an agreement was reached in 1997 between Congress and the President, agreement has not marked the other years since 1995, the first year of GOP control of Congress.

Because the President does not sign the budget resolution, there have been in past years significant discrepancies between the budgets Congress passed and what actually was enacted

into law. In 1996, the FY 1997 budget resolution provided for three reconciliation bills to be sent to the President, one by one, after he signed the preceding one. Congress only sent the first of these bills — welfare and Medicaid reform — which President Clinton vetoed. Congress was finally able to enact welfare reform when the President later signed the Personal Responsibility and Work Opportunity Act of 1996.

The FY 1996 process was even more torturous. The FY 1996 appropriations process was not completed until well into calendar year 1996 when President Clinton finally signed an omnibus appropriations bill, after having vetoed four appropriations bills and a continuing resolution the year before. The Balanced Budget Act of 1995, which incorporated the results of the FY 1996 reconciliation process, was also vetoed by President Clinton on December 6, 1995.

In fact, it took two years for the Administration simply to agree to the goal of a balanced budget in 2002 using objective CBO numbers. It was not until 1997 that the White House even submitted a budget that CBO was able to score as balanced without reservations.

Regretfully, the budget that the White House submitted this year does not adhere to the 1997 budget agreement: it violates the discretionary spending caps by \$22 billion in budget authority in FY 2000 alone, adds \$37 billion in new mandatory spending, and increases taxes and user fees (thus violating the 1997 net tax cut figure) by \$96 billion. Furthermore, if Congress chose to follow the Administration's lead, it would be in violation of the Budget Act in several instances, in addition to violating last year's agreement because of its use of non-allowable offsets.

It still remains to be determined, therefore, whether the Administration sees the 1997 budget deal as a binding agreement or a temporary one.

The Clinton Alternative: More Spending, More Taxes, and Less Debt Reduction

Just like last year, the President's budget adhered to neither the 1997 bipartisan budget agreement nor his own stated goals. As a result, the President's most recent budget was unanimously defeated when offered as an amendment in committee. Compare that to last year when eight Senate Budget Committee Democrats voted for (a modified form of) the President's budget.

According to CBO, President Clinton's FY 2000 budget violates the discretionary spending caps by \$22 billion in budget authority in 2000. Furthermore, the President's budget reduces the debt held by the public by \$462 billion less — 20 percent less — than would the committee-passed budget resolution. At the same time, the President's budget — because of its attempt to claim paper transfers to the Social Security and Medicare trust funds — would dramatically increase the total government debt. Under the President's budget, total government debt would be \$2.2 trillion higher than under the FY 2000 Budget Resolution (\$8.409 trillion versus \$6.204 trillion). That amounts to a 33-percent increase above the level set by the FY 2000 Budget Resolution.

According to CBO, the President's budget violates the President's own proposal from last year's State of the Union address that *"we reserve 100 percent of the surplus — that's every penny of any surplus — until we have taken all the necessary measures to strengthen the Social Security system..."* Overall, the Administration would spend \$158 billion of the Social Security surplus in its first five years.

Finally despite professing the largest budget surpluses in U.S. history — a \$4.5 trillion unified budget surplus over the next 15 years — the President's budget contains a gross tax hike of roughly \$170 billion and a net tax hike of \$96 billion.

Amendments Offered in the Budget Committee

The following amendments were offered during the Budget Committee markup. Those accepted are listed first, followed by those rejected. Numbers in parentheses indicate the order of their disposition by the committee.

Most notable among the amendments was one offered by Senator Bond, offering the President's budget as a substitute for the chairman's mark. The President's budget — the actual document as prepared by OMB — was unanimously rejected by the Budget Committee.

4) Snowe Sense of the Senate Amendment on the Marriage Penalty Tax

- adopted by voice vote.

5) Sarbanes Sense of the Senate on Embassy security

- adopted by voice vote.

6) Feingold-Grassley Sense of the Senate amendment on access to Medicare home health

- adopted by voice vote.

7) Durbin Sense of the Senate amendment regarding the deductibility of health insurance premiums of the self-employed

- adopted by voice vote.

9) Wyden amendment for reserve fund for managed care

- adopted by voice vote.

10) Johnson-Boxer amendment regarding a deficit-neutral reserve fund for use of OCS receipts

- adopted (with Gramm second-degree striking "revenue and") by voice vote.

11) Domenici (substitute to the Boxer amendment) Sense of the Senate that tax reductions should go to working families

- adopted by voice vote.

12) Feingold sense of the senate amendment regarding the National Guard

- adopted by voice vote.

13) Murray Sense of the Senate amendment regarding effects that proposals to Social Security reform may have on women

- adopted by voice vote.

14) Snowe Sense of the Senate amendment on increased funding for the National Institutes of Health

- adopted by voice vote.

15) Grams Sense of the Senate amendment on Kyoto

- adopted by voice vote.

19) Feingold Sense of the Senate amendment on Pell Grants (with Domenici second-degree)

- adopted by voice vote.

20) Snowe Sense of the Senate amendment regarding spending the Social Security Surplus

- adopted 21-1.

21) Conrad Sense of the Senate amendment regarding tribal colleges (with Domenici amendment striking paragraph (a) 2)

- adopted by voice vote.

22) Grassley-Grams Sense of the Senate amendment on illegal drugs

- adopted by voice vote.

23) Frist Sense of the Senate amendment regarding federal R&D investment

- adopted by voice vote.

29) Snowe amendment regarding Medicare and prescription drug benefit reserve fund (as modified by unanimous consent)

- adopted 21-1.

30) Conrad amendment regarding crop insurance funding

- adopted by voice vote.

Defeated Amendments

1) Lautenberg amendment on tax cuts contingent on Social Security and Medicare

- defeated 10-12.

2) Hollings amendment to continue federal funding at the current services baseline

- defeated 10-12.

3) Conrad amendment on Social Security and Medicare lockbox

- defeated 10-12.

8) Murray amendment to reduce tax cut for class-size reduction

- defeated 10-12.

16) Boxer Sense of the Senate amendment regarding after-school education and crime prevention

- defeated 11-11.

17) Johnson amendment to decrease defense funding and increase veterans' funding

- defeated 11-11.

18) Grams Sense of the Senate amendment to freeze discretionary caps at the 2002 level until 2009

- defeated 7-15.

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- defeated 7-15.

24) Durbin Sense of the Senate amendment that discretionary spending reductions necessary to comply with the FY 2000 spending limits included in the balanced budget act should be borne by both defense and non-defense programs.

- defeated 10-12.

25) Lautenberg Sense of the Senate amendment that Congress should adopt a budget resolution that reserves the entire off-budget surplus for Social Security each year and over 15 years, like the President's budget (Substitute amendment to Bond's amendment).

- Motion to table by Senator Domenici carried 12-10.

26) Bond amendment substituting the President's budget for the Chairman's mark

- defeated 0-22.

27) Lautenberg amendment regarding Medicare versus tax cuts for the wealthy

- defeated 10-12.

28) Wyden Sense of the Senate amendment regarding reserve fund for prescription drugs (substitute amendment to Snowe amendment).

- Motion to table carried 12-10.

31) Nickles Sense of the Senate disallowing precatory amendments to the budget resolution

- defeated 11-11.

FLOOR PROCEDURES

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation, as outlined below. It is not subject to filibuster and debate time is limited to 50 hours, equally divided. However, this does not mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see *Riddick's Senate Procedure*, revised in 1992, pp. 615-618.]

- Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. **Germane**

amendments are those which: strike; increase or decrease numbers; add language which restricts some power in the resolution; or, express the sense of the Senate or Congress about matters within the Budget Committee's jurisdiction.

- Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes per side. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.
- No debate is allowed on a point of order made against any amendment under the Budget Act. Instead, a motion to waive the Budget Act must be made. Debate on any motion to waive a point of order is limited to one hour equally divided.
- Amendments can be offered at any time.

POSSIBLE AMENDMENTS

Craig. Instituting a 60-vote point of order requiring new mandatory spending to be offset with mandatory spending savings.

Abraham. Sense of the Senate rejecting Clinton's proposed tax on investment income earned by non-profit trade associations.

Abraham-Domenici-Ashcroft. Sense of the Senate language supporting the Republican lock box proposal to protect the Social Security surplus.

Ashcroft-Brownback. Sense of the Senate language prohibiting government investment of the Social Security surplus.

Grams. Sense of the Senate language that unanticipated on-budget surpluses be used for additional tax cuts.

Bond. President Clinton's FY 2000 budget.

Brownback. Sense of the Senate language enlarging upwards the 15-percent tax bracket.

DeWine. Sense of the Senate language rejecting Clinton's anti-drug initiative cuts.

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[See attachments provided by Senate Budget Committee.]

COMMITTEE-REPORTED RESOLUTION AGGREGATES
(\$ BILLIONS)

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-04	2000-09
Discretionary: a/														
Defense	BA	271.8	290.0	304.8	309.3	319.4	328.1	329.3	330.5	331.8	333.1	334.3	1551.5	3210.5
	OT	269.8	275.8	287.1	292.8	304.7	314.4	317.6	316.0	314.6	318.0	318.9	1474.8	3060.0
Nondefense	BA	266.4	246.3	236.6	241.1	252.4	255.7	255.7	255.7	255.2	255.1	255.3	1232.0	2509.1
	OT	297.4	295.2	283.9	274.2	288.0	289.2	290.4	290.1	289.3	289.0	289.0	1430.5	2878.2
Subtotal	BA	538.2	536.3	541.3	550.4	571.8	583.8	585.0	586.2	587.0	588.2	589.6	2783.5	5719.6
	OT	567.3	570.9	571.0	567.0	592.7	603.6	608.0	606.1	603.9	607.0	607.9	2905.3	5938.2
Mandatory	OT	900.5	946.5	996.2	1040.8	1113.6	1176.8	1254.3	1311.2	1390.5	1482.8	1576.6	5274.0	12289.4
Net interest	OT	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7	985.9	1692.3
Total outlays	OT	1697.2	1735.4	1774.7	1804.6	1893.2	1957.3	2027.9	2071.2	2136.5	2218.8	2300.2	9165.2	19919.9
Revenues		1814.6	1870.0	1923.0	1961.5	2058.3	2134.8	2225.1	2283.3	2363.9	2459.9	2549.8	9947.6	21829.7
Unified surplus		110.4	134.6	148.3	156.8	165.1	177.5	197.2	212.1	227.4	241.1	249.6	782.4	1909.8
On-budget b/		-16.1	-2.9	3.3	3.5	3.6	6.6	13.6	18.7	23.8	29.0	32.1	14.0	131.2
Off-budget		126.5	137.6	144.9	153.4	161.6	171.0	183.6	193.3	203.6	212.1	217.5	768.4	1778.6

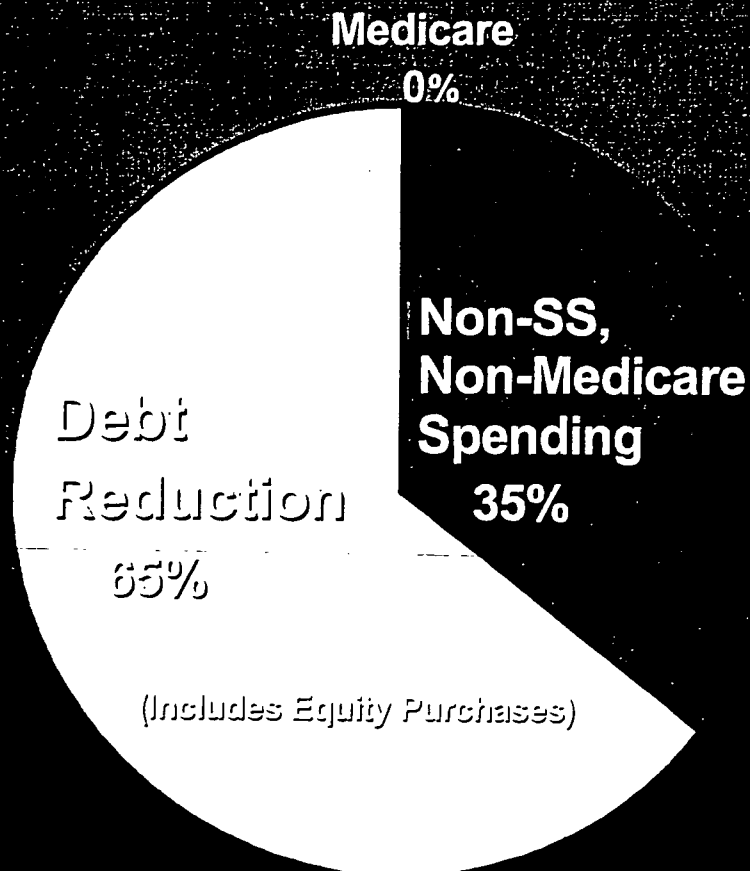
a/ For 1999, discretionary spending excludes one-time emergency spending and other adjustments.

b/ The on-budget surplus in the text of the Budget Resolution is \$3.1 billion lower every year as a result of a scorekeeping convention dealing with Social Security administrative expenses.

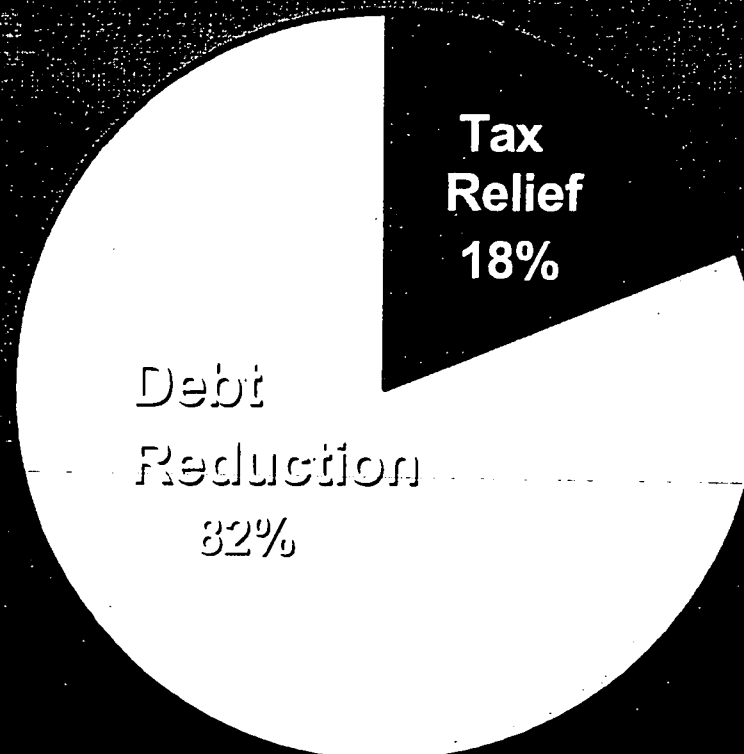
Allocating the Surplus

FY2000 - 2004, Unified Surplus

President's Framework



Committee Resolution



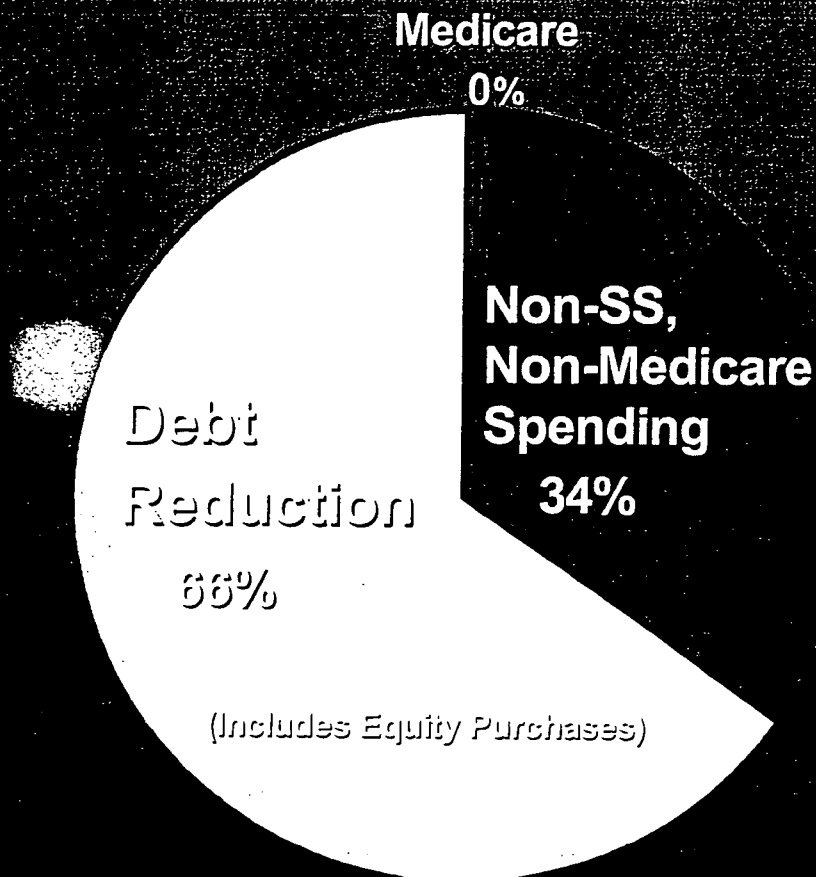
Source: CBO's Re-Estimate of the President's Budget, SBC

To standardize the comparison, both plans were evaluated relative to the CBO March baseline.

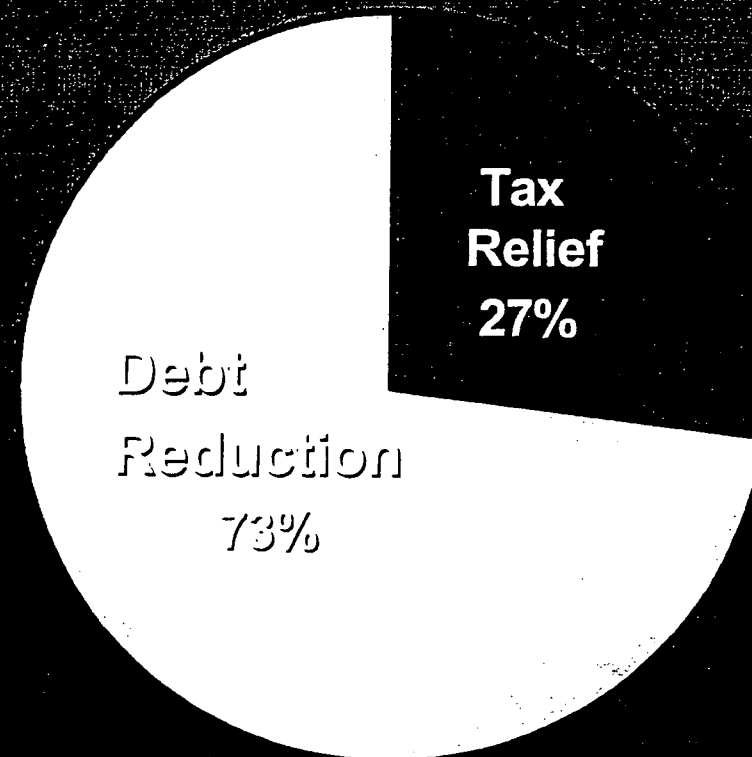
Allocating the Surplus

FY2000 - 2009, Unified Surplus

President's Framework



Committee Resolution

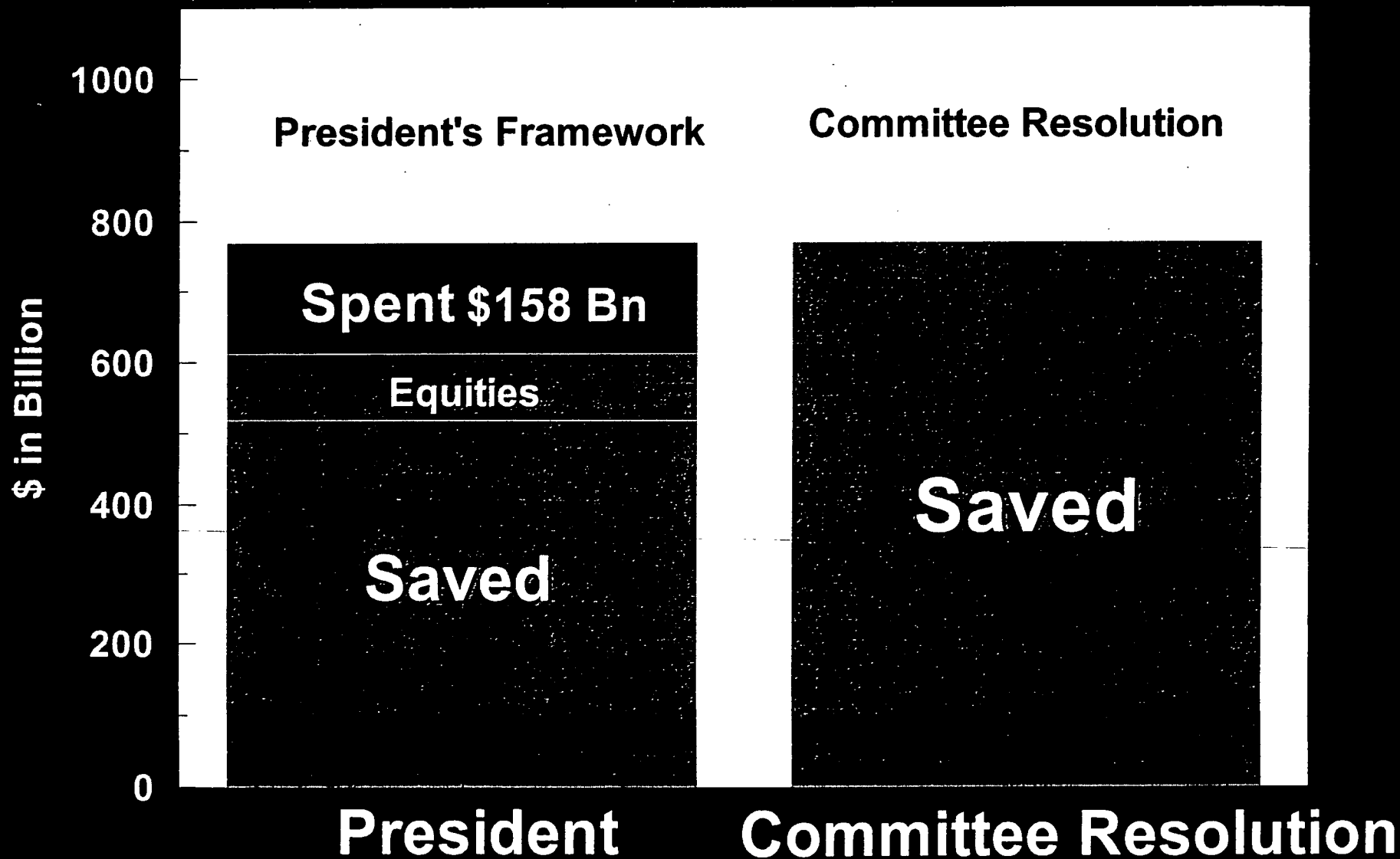


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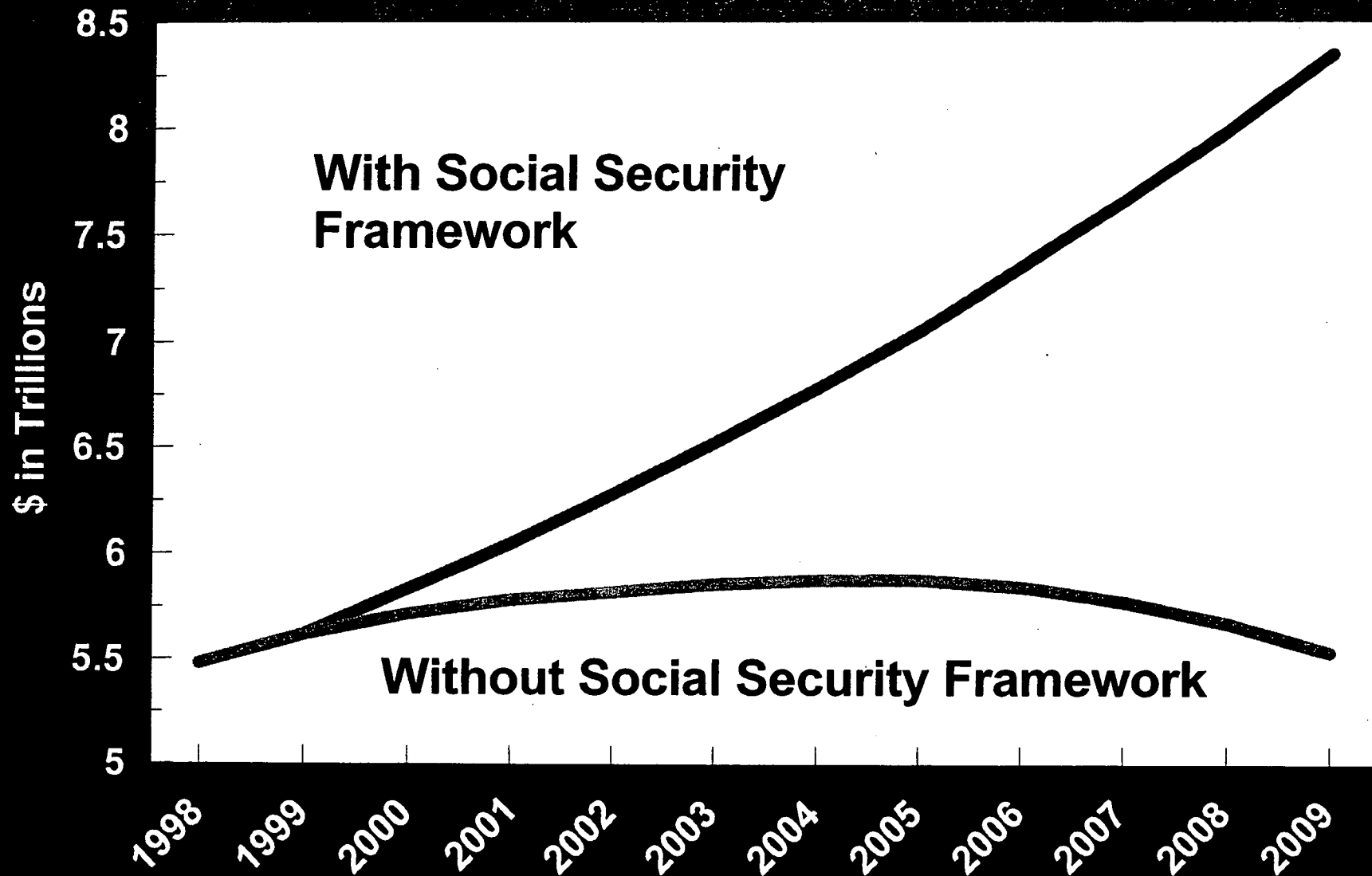
The Fate of the Social Security Surplus

FY 2000 - 2004



Source: CBO, SBC

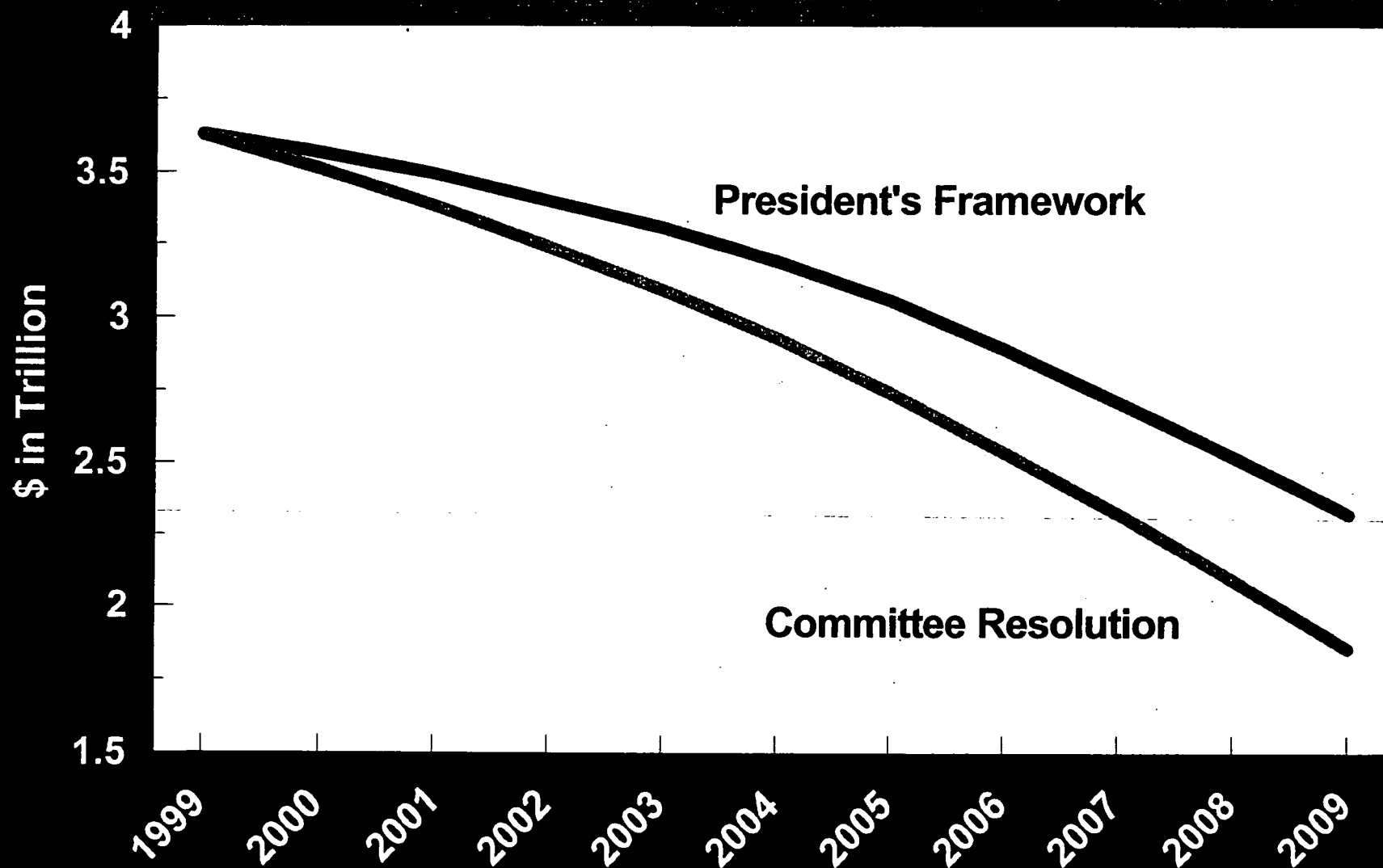
President's Budget and the Debt



Source: OMB data

Debt Plunges In Committee Resolution

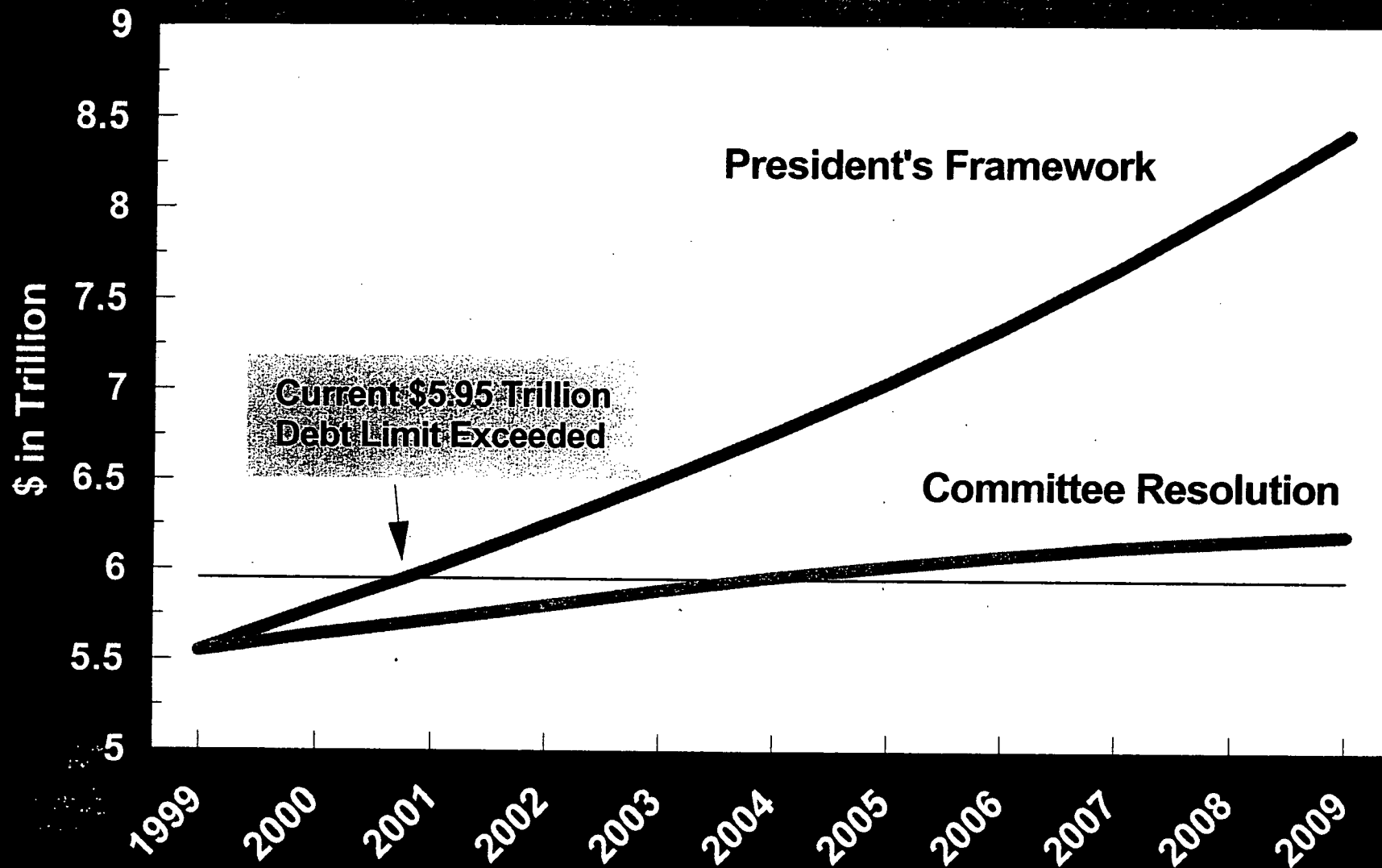
Publicly Held Debt, 2000 - 2009



Source: CBO, SBC

Debt Subject to Limit

2000 - 2009

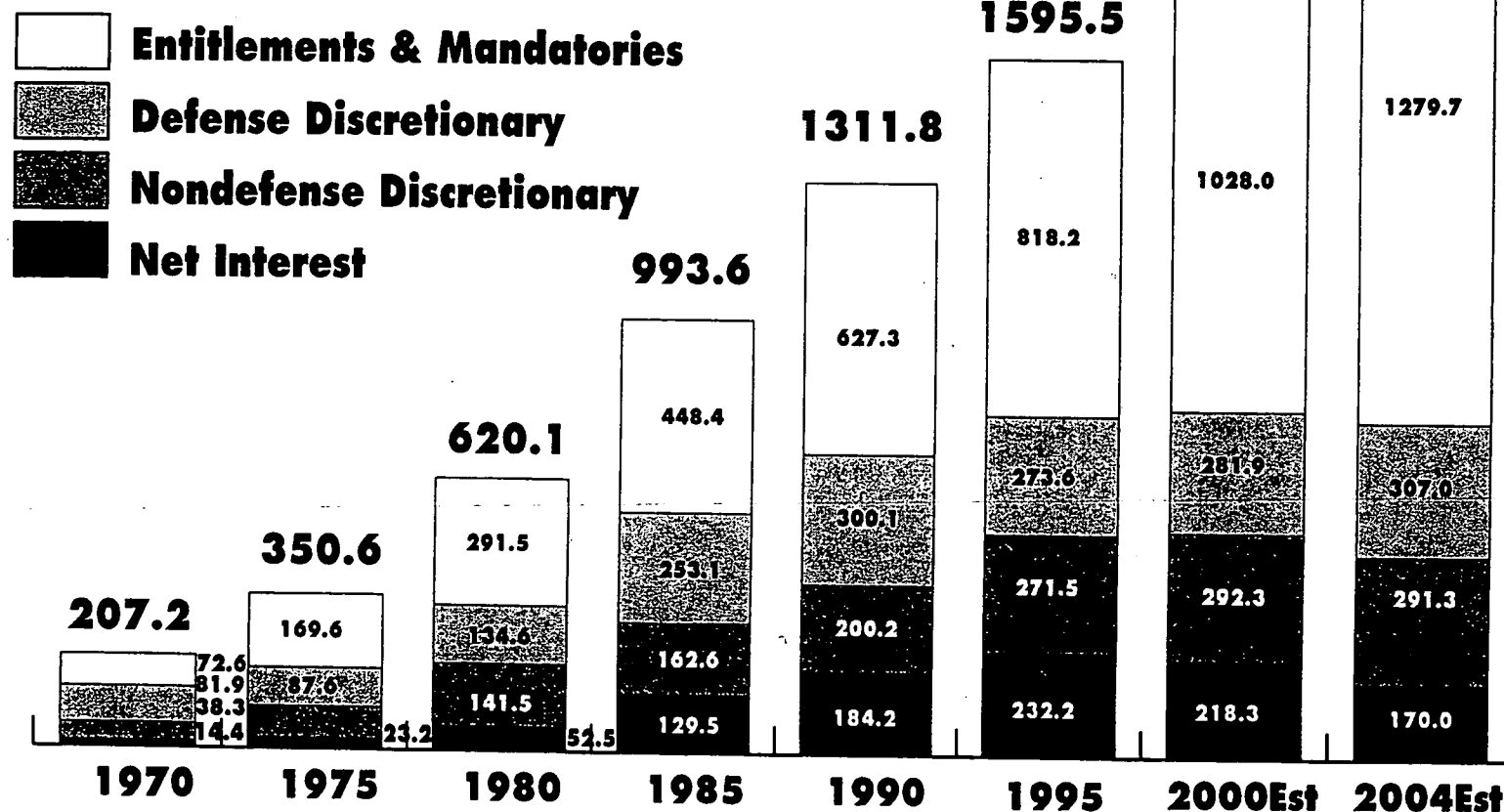


Source: CBO, SBC

Major Components of the Budget

FY 1970 – FY 2004

(Outlays in Billions of Dollars) a/



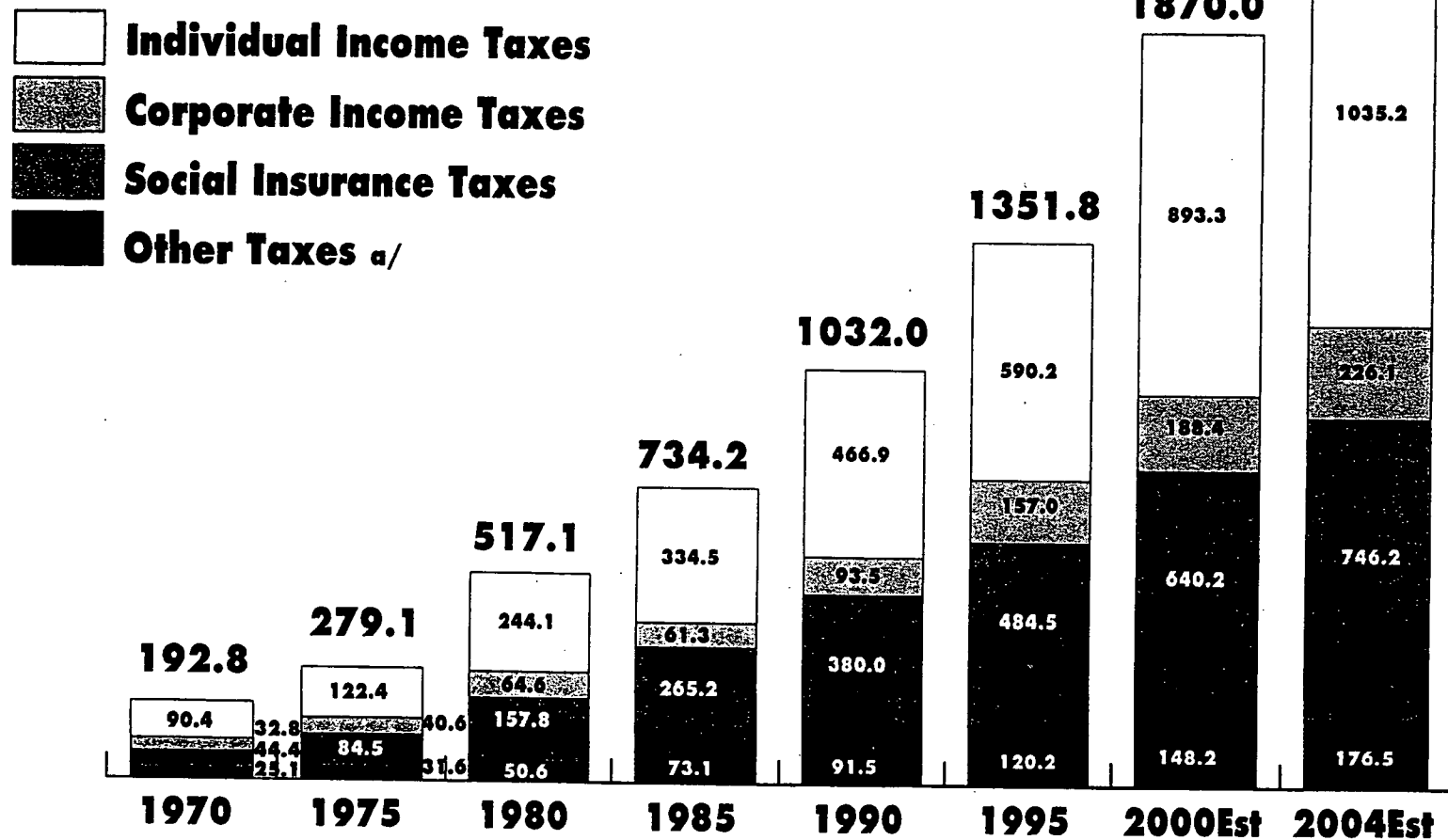
Source: CBO, The Economic & Budget Outlook: Fiscal Years 2000 - 2009, January 1999.

a/ Total on- plus off-budget expenditures for the four major categories, excluding offsetting receipts.

b/ Total spending, excluding offsetting receipts, assumes the CBO January 1999 baseline and compliance with discretionary cap.

Major Components of Federal Revenues

FY 1970 – FY 2004
(Revenues in Billions of Dollars)



Source: CBO, The Economic & Budget Outlook: Fiscal Years 2000 - 2009, January 1999.
^{a/} Includes excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts.

Clinton's 15-year Budget Balance Sheet

Total Budget Surplus	\$4.5 trillion
Social Security Surplus	\$2.3 trillion
Non-Social Security Surplus	\$2.2 trillion
	minus
Clinton's New Spending Claims	\$1.7 trillion
Medicare: \$700 billion,	
USA accounts: \$500 billion,	
Government spending: \$500 billion	
Remaining Surplus	\$0.5 trillion
	minus
Clinton's Social Security Claim	\$2.8 trillion
(\$2.1 trillion trust fund and	
\$0.7 trillion in government investment)	
Final Balance	-\$2.3 trillion

Source: Republican Policy Committee